

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: May 6, 2002

To: Milwaukee County Board of Supervisors

From: Jerome J. Heer, Director of Audits

Subject: Role and Accomplishments of Department of Audit

Department of Audit Mission Statement

Through independent, objective and timely analysis of information, the Milwaukee County Department of Audit assists both policy makers and program managers in providing high-quality services in a manner that is honest, efficient, effective and accountable to the citizens of Milwaukee County.

To provide an update to Supervisors, and to assist the incoming administration, we have prepared the enclosed recap of reports issued by the Department of Audit from 1996 through the present (Attachment A). Also enclosed is an organizational chart and functional description (Attachments B and C).

The Department of Audit is the only County department that reports directly to the County Board. This independent organizational standing provides the Department of Audit complete independence when auditing County departments under the executive branch of County government.

As seen in Attachment A, the scope of audits presented to the County Board include a wide range of diverse topics. Certain issues were straightforward while others were complex and controversial. However, the common thread among all of the audits was to improve County programs and services to County residents by either being more effective in accomplishing program objectives, becoming more efficient, strengthening controls and safeguarding County assets and/or complying with laws and regulations.

In addition to the audit reports listed in Attachment A, the Department of Audit also prepares a variety of management advisory/consultative letters, investigative reports, memos, etc. to the County Board, its committees and County departments. These types of letters and memos include topics such as Countywide overhead, due diligence procedures, investment earnings on the County's portfolio and Boerner Friends Agreement funding issues. Similar to traditional audit reports, the purpose of these various communications is to improve County services and operations.

Since 1994, the Department of Audit has operated a Fraud Hotline to investigate allegations of fraud, waste and abuse in County government. An annual report is issued on Hotline activity. On occasion, the department issues an Audit Flash newsletter to inform departments about audit issues with Countywide impact (See Attachment D).

The Department of Audit also contracts with an outside CPA firm on an annual basis to perform the audit of the County's financial statements and the "single audit" of federal and state grants received by County departments. The ability to provide audited financial statements of Milwaukee County to bonding agencies and also provide required audited schedules of federal and state awards to grantor agencies are valuable components to the County's overall financial program. The Department

of Audit functions as a liaison between County departments and the CPA firm while continuously monitoring progress of the audits.

In addition to audits, other department functions include the department's bank reconciliation and contract compliance operations. For 2001, 813 bank reconciliations were performed involving approximately 325,000 checks. In the area of contract compliance, for 2001 the Department of Audit reviewed 250 equal employment opportunity certificates and 218 affirmative action plans, including 205 pre-bid/on-site construction field reviews. These functions also contribute toward the County's overall effectiveness.

If you have any questions or need further information, please call me at 278-4206.

A handwritten signature in cursive script that reads "Jerome J. Heer".

Jerome J. Heer

JJH/cah

Attachments

cc: Janine Geske, County Executive
Scott K. Walker, County Executive-Elect
Terry Kocourek, Acting Director, Department of Administration
Rob Henken, Director of Research, County Board Staff
Lauri J. Henning, Chief Committee Clerk, County Board Staff

**MILWAUKEE COUNTY
Department of Audit
Highlights of
Reports Issued 1996 Through 2002 to Date**

2002

Wraparound – As directed by County Board resolution, we performed an audit of the Wraparound Milwaukee Program. While the Wraparound Program has achieved nationally recognized success in serving emotional, behavioral and mental health needs of children and their families, our report addresses several program, administrative and information system problems. Some of these problems include the development of a management information/on-line vendor invoicing system that is incompatible with County IT standards and existing County automated payment and financial systems.

Sick Leave Payouts – This joint report by the Department of Audit and County Board staff was requested by the County Board Chairman. The report outlined the fiscal impacts associated with increased sick leave payouts caused by recent retirements, the fiscal impacts of potential modifications to existing sick leave benefit payout methods and potential impacts for departments associated with potential sick leave modifications. The report notes that if all employees eligible to retire in 2002 did in fact retire, the County's sick leave payouts would total \$28.2 million.

Milwaukee Metropolitan Drug Enforcement Group (MMDEG) – This management letter report addressed MMDEG's compliance with various requirements of the federal and state funded Anti-Drug Abuse Funding grant that is currently administered by the Sheriff's Department. Our report recommended improvements to procedures and controls to better safeguard funds of the program.

Fraud Hotline – 2001 Annual Report – As directed by County Board resolution, year-end statistics on Hotline activity were reported. In 2001, the Department of Audit received 55 contacts. Direct savings attributed to Audit Hotline and audit activity related to fraud, waste and abuse in 2001 totaled \$238,152.

Purchasing Card Follow-up – This follow-up audit of the County's purchasing card program addresses card controls, tracking of Disadvantaged Business Enterprise (DBE) related purchases and includes recommendations to strengthen the program. Card activity totaled \$3.3 million in 2001 with over 300 active cardholders County-wide.

Development and Adoption of 2001-2004 Wage and Benefit Package – As directed by County Board resolution, we conducted a review of the structural and procedural problems that led to the recent County pension controversy. Our report indicates significant pieces of information were omitted, inaccurately presented or unsubstantiated by Executive Branch administrators responsible for developing and presenting the package. Further, the public record does not reflect a substantive degree of questioning or scrutiny of the wage and benefit package by the Legislative Branch of County government. The report recommends new procedures for developing fiscal notes, which were significantly understated by millions of dollars in the presented package of resolutions.

Salary Survey of Selected Top Manager and Elected Officials – As requested by the County Board Chairman, we performed a comparison of compensation for Milwaukee County's Executive, County Board, department heads and other top managers with other appropriate jurisdictions. Although a limited number of positions are well above or below other jurisdictions, generally the report indicates Milwaukee County salaries are comparable to other governments.

Salary Survey of Constitutional Officers – As requested by the Personnel Committee of the County Board, we expanded our salary survey of other jurisdictions to include salary information on the constitutional officers for Milwaukee County (Sheriff, Clerk of Courts, Treasurer, Register of Deeds, and County Clerk). The report indicates the current salaries for three of the five officers are less than the survey averages, while two are greater than the survey averages. As an informational report, no recommendations are offered.

Management Structure Review/Department of Public Works (DPW) – As authorized and directed by County Board resolution, this is the first in a series of reviews of the organizational structure of County departments in an effort to realize long term fiscal savings. The report indicates opportunities for savings in a number of DPW areas including: evaluating pay levels and the reporting configuration of top DPW administrators; restructuring the Transportation and Architectural, Engineering, and Environmental Service Divisions; consolidating the Fleet Management Division and the Parks Department equipment repair shop functions; outsourcing Fleet Division auto body shop functions; transferring maintenance of County grounds utility operations to the City of Wauwatosa; outsourcing building security and janitorial functions; and restructuring the DPW Administration Division.

Management Structure Review/Department of Human Services (DHS) – As authorized and directed by County Board resolution, this is the second in a series of reviews of the organizational structure of County departments in an effort to realize long term fiscal savings. The report indicates opportunities for savings in a number of County-wide areas including: restructuring the health and human needs framework; restructure the manner in which administrative support services are provided; restructuring the public services framework under a single department; evaluating Behavioral Health Division (BHD) inpatient support services and adjust or outsource accordingly; outsourcing BHD Community Support Program services; evaluating the merits and savings of selling Mental Health Complex buildings and property under a lease-back arrangement; and consolidating DHS public relations functions.

Salary Comparison with Dane County – As requested by the Personnel Committee of the County Board, we expanded our original salary survey report of selected top managers and elected officials to include information from Dane County. Generally, Milwaukee County salaries are higher when compared with Dane County. As an informational report, no recommendations are offered.

Wauwatosa School District Reimbursement – This annual review of the School District's expenses related to providing teaching services at County schools on the regional medical center grounds for the 2000-2001 school year verified a \$811,645 rental payment due to the County from the School District. However, due to a State funding shortfall, the County was reimbursed \$752,580 or \$59,065 less than the amount due. (Original audit report over 10 years ago noted that the County had not been charging rent even though the State reimbursed facility costs.)

Hiring Process – This audit of the Department of Human Resources’ role in the County hiring process showed a hiring process timeframe that is unacceptable. Results of a customer satisfaction survey to County departments also indicated dissatisfaction with bottom-line results concerning meeting departments’ hiring needs. The report recommends both structural and procedural reforms designed to improve the customer focus of the Human Resources department.

Management Structure Review/Department of Parks – As authorized and directed by County Board resolution, this is the third in a series of reviews of the management structure of County departments in an effort to realize fiscal savings. The report indicates that given the divergent trends of declining funding levels, increasing infrastructure demands and reduced utilization of certain capital-intense facilities, the County Parks system is at a crossroads. The report recommends that policy makers decide upon a course of action now as delays will make choices more costly in the future.

Employee Retirement System Actuary Report – This management letter report examines the role of the actuary in providing information relevant to decisions on major pension benefit changes. The report found no inherent conflict in Mercer’s investment advisory and actuarial services to the Retirement System and Department of Human Resources. However, after 12 years without competitive proposals, the report recommends the Retirement System solicit proposals for actuarial services. The report also recommends other changes to improve accountability and strengthen the process.

Management Structure Review/Sheriff’s Department – As authorized and directed by County Board resolution, this is another in a series of reviews of the management structure of County departments in an effort to realize fiscal savings. The report indicates opportunities for savings in a number of Sheriff’s Department areas including: obtaining lower inmate drug and pharmacy operations costs; transferring responsibility for inmate health care to the County’s Health Related Programs Division; reducing training hours for jail officers from 400 to 120 hours; replacing deputy sheriffs assigned to the jail with correctional officers; billing all costs of providing Sheriff’s Department services to third parties; and ensuring full productivity of deputy sheriffs used as bailiffs.

2001

Fraud Hotline – 2000 Annual Report – As directed by County Board resolution, year-end statistics on Hotline activity were reported. In 2000, the Department of Audit received 76 contacts. Cases opened showed an increase in the unauthorized use of bank account information to create counterfeit checks and fraudulent electronic fund transfers. We also assisted House of Correction and Jail staff review commissions associated with inmates’ use of pay phones and established that Ameritech owed Milwaukee County an additional \$406,000 in commissions and interest.

Zoo Customer Satisfaction – This report addresses customer satisfaction with the total Zoo experience, including customers’ opinions regarding the Zoo’s general appearance, maintenance and cleanliness of the facility. Overall, our surveys showed generally high levels of satisfaction as expressed by Zoo visitors. We also reviewed cash handling and inventory controls and made recommendations where appropriate.

Mental Health Division (MHD) Revenue Deficit – This management letter report addressed reported MHD revenue shortfalls of approximately \$1.75 million for mental health services provided by the County to Froedtert Hospital patients. Our report indicates Title 19 claims were not filed for all eligible patients and filing deadlines were not always met. As a result of our review, Froedtert reduced an accounts receivable liability attributed to Milwaukee County by nearly \$100,000. The report recommends regular quarterly reconciliations of Title 19 reimbursements to help monitor patient settlements between Froedtert Hospital and MHD.

Mental Health Division (MHD) Outpatient Trust Accounts – This audit looked at the controls in place to safeguard the assets of MHD outpatients. Due to the potential vulnerability of some clients, internal controls take on an added importance. Our report disclosed a number control breakdowns including lack of proper segregation of duties, lack of accountability of funds and weak fiscal oversight. Concurrent with our work, a County employee admitted stealing two client checks and we also uncovered other stolen checks. The employee was suspended and referred to the District Attorney's Office.

Child Welfare – This audit was requested by the County Board and County Executive to address the major causes contributing to the Department of Human Services' (DHS) overspending the 2000 State contract funding by \$6 million. Our audit determined that the overspending was caused by a breakdown in program management including not obtaining a formal funding commitment from the State for full staff and administration costs and well as not using information systems effectively to detect significant increases in service expenditures on a timely basis. We also visited selected service providers and reviewed supporting billing documentation. We support the need for clearly defining the types of activities which can be billed for mentoring services.

Semi-Annual Museum Monitoring Report (6/4/2001) – As directed by the County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit corporation. This report noted that paid admissions increased 5.6% while free admissions decreased 0.4% over prior year figures.

Wauwatosa School District Reimbursement – This annual review of the School District's expenses related to providing teaching services at Milwaukee County Department of Human Services' school for the 1999-2000 school year verified a \$778,000 rental payment due to the County from the District. (Original audit report noted that the County had not been charging rent even though the State reimbursed facility rental costs.)

Airport Parking – This audit looked at General Mitchell International Airports (GMIA) oversight of its \$18 million annual parking revenue operation. The report concludes that GMIA has not done an effective job of obtaining reasonable assurance that daily parking receipts are properly recorded and deposited by the parking operations management firm.

IMSD – As directed by the County Board in the 2001 Adopted Budget, we conducted an audit of IMSD. As authorized, we contracted with an outside IT consultant to assist us on the project. Objectives of the audit, as defined by the County Board, included a review of all IMSD expenditures associated with Y2K, a review of IMSD's former and proposed organizational structure, IMSD's use of outside contractors, and a satisfaction survey of all County departments regarding IMSD services. The audit was used as a springboard for future IT improvements throughout the County.

Zoo/Chinese Novelty Items – As directed by the County Board, we conducted a review to determine the number of Chinese-made novelty items sold at the Zoo, the impact on Zoo revenues of not selling these items and the potential to substitute other items to replace the Chinese-made products. Our analysis of Zoo sales data and discussions with major Zoo suppliers indicates that a ban on Chinese-made items would have negative financial implications for the Zoo, quite possibly measured in terms of six figures.

Back Drop Controls – This management letter report assessed management controls over the process by which ‘back drop’ checks are calculated and processed by the Employee Retirement System Division of the Department of Human Resources. Our review showed control weaknesses including inadequate segregation of duties, blank checks kept in unlocked cabinets, lack of mandatory periods of vacation, no formal policies and procedures manual and a lack of typical budgetary controls that apply to all other County expenditures. Although no fraud was found, recommendations were provided to improve controls.

Semi-Annual Museum Monitoring Report (12/3/2001) – In accordance with a County Board resolution, this was the final monitoring report on the progress of the Milwaukee Public Museum’s operations from the Department of Audit and Administration. This report noted that total attendance has increased from 435,944 to 590,883 during the nine year transition period, which represents an increase of 154,939 in total admissions or 35 percent.

2000

Fraud Hotline – 1999 Annual Report – As directed by County Board resolution, year-end statistics on Hotline activity were reported. In 1999, the Department of Audit received 23 contacts. Cases opened concerned allegations of employee misconduct, vendor/provider fraud, operational inefficiencies, or ineligible beneficiaries of County services or benefits. In one case, we concluded that a psychologist’s agency billed the Wraparound Program \$94,000 over a three-year period for services that were not supported by agency records. The psychologist ultimately pleaded guilty to fraud charges and is currently incarcerated.

Treasurer’s Office Unclaimed Funds – This audit reviewed the controls over the processes used by the Treasurer’s Office in handling claims and making disbursements for unclaimed funds. Our review of all 201 claims from 1998 showed room for substantial improvement over both the processes for handling claims and for disbursing funds.

Homeowner’s Protection Program (HOPP)/Airport Division – This report addresses the satisfaction of homeowners involved in the Sound Insulation Program portion of HOPP. Our telephone survey of a random sample of 186 homeowners indicated a generally favorable response to the improvement in the noise levels in their homes after construction. However, the survey also indicated recurring themes regarding poor quality of workmanship, poor quality of products, inability to fix problems and length of time to complete construction.

Department of Human Services Alcohol and Other Drug Abuse (AODA) Voucher Program This report includes recommendations to improve problem areas regarding the accuracy and management of the AODA waiting list, the accuracy of provider agency billings and the Adult Services Division’s quality assurance efforts.

Wauwatosa School District Reimbursement – This annual review of the School District's expenses related to providing teaching services at Milwaukee County Department of Human Services School for the 1998-99 school year verified a \$544,700 rental payment due to the County from the District. (Original audit report had noted that the County had not been charging rent even though the State reimbursed rental costs.)

Purchasing Card – This audit looked at controls associated with the County's new purchasing card program administered in part by the Procurement Division. Our review of a sample of purchases by the Parks and Sheriff's Departments in 1999 showed that: 17 purchases were over the \$500 single transaction limit; one cardholder used the County card for six personal transactions; six cardholders, due to a bank error, were authorized a single transaction limit of \$50,000 instead of \$500; and six cardholders were authorized, in error, a single transaction limit of \$1,000.

Semi-Annual Museum Monitoring Report (6/7/2000) – As directed by the County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit corporation. This report noted that paid admissions increased 19.7% while free admissions decreased 3.8% over prior year figures.

Parks Cash Counts – This management letter highlighted the results of our unannounced cash counts during the busy summer months at four Parks' locations. The letter included recommendations to further improve cash handling procedures and controls.

Department on Aging Fiscal Oversight – This audit addresses issues of concern identified in the report including management of Federal and State program funding, contracting oversight and safeguarding of client funds. For example, Aging has acknowledged there was unspent funding of \$2.45 million in 1999 while clients remained on waiting lists for program services.

House of Correction and County Jail Phone System – This management letter addresses the unrecorded telephone revenue for the County Jail and House of Correction for the 16-month period January 1999 – April 2000. The report estimates that Ameritech owes the County a total of \$295,524 in commissions and interest.

Semi-Annual Museum Monitoring Report (12/1/2000) – As directed by the County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit corporation. This report noted that total 2000 paid admissions (426,942) increased 14.6% compared to 1999. In addition, total admissions to the IMAX Theater increased 5.9% over the prior year.

1999

Fraud Hotline – 1998 Annual Report – As directed by County Board resolution, year-end statistics on hotline activity were reported. In 1998, the Department of Audit received 37 contacts. Cases opened concerned allegations of employee misconduct, vendor/provider fraud, counterfeit checks, bank fraud, operational inefficiencies, or ineligible beneficiaries of County services or benefits.

‘Lessons Learned’ – Audit Flash – Based on five years experience of operating the Audit Hotline, this Audit Flash reflected on valuable lessons learned over that time. It pointed out the importance of employee background checks, timely reconciliation of bank accounts, segregation of ordering and receiving functions, timely deposit of County receipts, employee residency within Milwaukee County and the safeguarding of employee payroll checks.

Airport Purchasing Practices – This management letter addressed internal controls relating to General Mitchell International Airport (GMIA) purchasing practices. Our review of the airport’s purchasing practices indicates GMIA did not always follow or enforce its new procedures and used questionable judgment when purchasing expensive office furniture.

Employee Safety Program – The audit found that for the six-year period 1992-97, costs directly associated with County workplace injuries totaled \$17.7 million, or approximately \$2.9 million per year. If the County had experienced injury-related costs in line with national standards, the audit showed it could save approximately \$1.7 million per year.

Wauwatosa School District Reimbursement – This annual review of the School District’s expenses related to providing teaching services at Milwaukee County Department of Human Services schools for the 1997-98 school year verified a \$544,700 rental payment due to the County from the District. (Original audit report had noted that the County had not been charging rent even though the State reimbursed rental costs.)

Transit-Plus Follow-up – This follow-up audit of County paratransit service for persons with disabilities estimated that the program’s change to reimbursing carriers on a ‘per hour’ basis versus the old per ride basis will cost \$2.7 million more annually. This could be reduced with more aggressive management of the number of vehicles in service.

Semi-Annual Museum Monitoring Report (6/25/99) – As directed by the County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit corporation. This report noted that based on attendance figures provided by the Museum for September 1998 through April 1999, paid admission revenues were down 16% over prior year figures.

Inmate Property – The report reviewed inmate property procedures as they relate to the Sheriff’s Department and House of Correction to provide assurance that inmates’ property had been properly inventoried, stored, and returned to inmates upon their release. The report showed that specific internal controls over inmate property procedures can be strengthened without a significant expenditure of resources.

Sheriff’s Department Foreclosure Sales – This audit was initiated at the request of the Sheriff’s Department to determine if the foreclosure sale process might somehow facilitate illegal ‘property flipping’ or laundering of drug money. Our review of sale procedures indicated there was nothing in those procedures or practices that influence the determination of either the properties to be sold or the amounts bid.

Wisconsin Correctional Service (WCS) – This audit indicated that improved coordination is needed between WCS and participants in the Milwaukee County Criminal Justice System who contract for WCS pretrial services. The problems identified in the report suggest that pretrial services (budgeted at \$1.4 million in 1999) could be enhanced with better clarity and agreement on the objectives of the program, and with better performance monitoring by the County.

Property Management – A review of Milwaukee County's property management indicated there exists no comprehensive, or accurate inventory of buildings and structures owned or leased by the County. Our best efforts to compile a comprehensive inventory produced a list of 675 buildings and structures valued at about \$700 million.

Semi-Annual Museum Monitoring Report (11/30/99) – As directed by the County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit corporation. The report noted that total 1999 fiscal year paid admissions remained essentially flat compared to 1998. Friends of the Museum membership attendance increased 21.9% over the previous year.

1998

Subsidized Child Care - Interim Report – This interim report focussed on the process used to certify day care providers and the ability for providers to be authorized to care for more children than allowed by Wisconsin Administrative Code. The report indicates that the outside agency contracted to perform the provider certification process is not always performing required criminal background checks. Also, on average, 113 providers exceeded statutory maximums regarding caring for more children than allowable.

Transit Plus Program - Interim Report – This interim report looked at the affiliation between an outside work services provider and one of the paratransit service providers and any associated impact on the County's Transit Plus program. The report noted that the work services provider was actively enrolling clients for Transit Plus services at an additional taxpayer cost of \$900,000 for the first nine months of 1997.

Residency of Employees on County Construction Projects – This management letter report provided information on the residency of contractors' employees as requested by the Committee on Transportation, Public Works, and Transit. It showed that 37% of construction payroll goes to County residents while 63% goes to non-County residents.

Fraud Hotline – 1997 Annual Report – As directed by County Board resolution, year-end statistics on hotline activity were reported. In 1997, the Department of Audit received 43 contacts. Cases opened concerned allegations of employee misconduct, vendor/provider fraud and operational inefficiencies.

Zoo Cash/Inventory Controls Follow-up Report – This was a follow-up status report directed by the Committee on Finance and Audit to our original September 1997 Zoo audit report. This follow-up report indicated our satisfaction with the Zoo's corrective actions.

Time and Material Contracting Follow-up Report – This was a follow-up audit to two previous audits in 1990 and 1995 regarding time and materials (T&M) contracting. This review indicated that, despite general improvement, some of the problems identified in the previous two audits persist.

Semi-Annual Museum Monitoring Report (3/27/98) – As directed by the County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit corporation. This report noted that paid admissions and total admissions increased 50% and 63%, respectively, over prior year figures.

Subsidized Child Care – Final Report – The audit found that due to a division of responsibilities between and among W-2 regional offices and DHS workers, there is a lack of accountability for the timely processing of child care applications, as well as poor documentation regarding the timeliness of actions taken throughout the process. For example, our sample of 121 cases showed the time from when care was first provided to the date of payment averaged nearly 11 weeks.

Wauwatosa School District Reimbursement – This annual review of the School District's expenses related to providing teaching services at Milwaukee County Department of Human Services schools for the 1996-97 school year verified a \$542,866 rental payment due to the County from the District. (Original audit report had noted that the County had not been charging rent even though the state reimbursed rental costs.)

Transit Plus Program - Final Report – The audit of paratransit services for persons with disabilities found that controls which limit the County's risk of paying for inappropriate or fraudulent charges need to be strengthened. For example, the report identified trips reported as taken after clients' date of death. Also, a client survey identified instances of rides paid by the program that were never provided.

Department of Child Support Enforcement Cash Handling Procedures – This audit which was requested by the Department found that over 29,000 payments for alimony and child support totaling \$1.5 million were being held in suspense by the Department due to insufficient disbursement information. In addition, checks to individuals totaling \$482,000 were outstanding/not utilized by clients for over 60 days.

General Assistance Medical Program (GAMP) – The report acknowledges significant program achievements in 1997/98 as GAMP completed a transition from a hospital – based healthcare delivery system for the medically indigent to a community-based primary care system. It also presented recommendations for future program enhancements.

Procurement Division – The audit indicated a high usage (17%) of 'confirming' purchase orders which circumvent normal encumbrance procedures, purchase order requisitions and receiving copies that were not always signed by authorized signers and purchases where the required three quotations were not always obtained. Also, a survey of County departments regarding service they receive from Procurement Division showed that departments responded favorable to all survey questions.

Semi-Annual Museum Monitoring Report (11/30/98) – As directed by the County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit corporation. The audit indicted a revenue shortfall of \$456,000 related to the theater project which was not fully resolved.

Career Youth Development – The audit of this non-profit community agency that provides contracted social service programs to the County found non-salary charges had insufficient documentation to determine the appropriateness of the expenditure to the program charged.

1997

Fraud Hotline - 1996 Annual Report - As directed by County Board resolution, year-end statistics on hotline activity were reported. In 1996, the Department of Audit received 58 contacts. Cases opened concerned allegations of employee misconduct, operational inefficiencies, wasted resources and complaints regarding County vendors/contracts. The audit of the Department of Public Works Fleet Maintenance Division, released 3/21/96 was based on a hotline call.

Department of Human Resources Self-Insured Medical Insurance - This audit found that for County subscribers who are retired with Medicare insurance, the County's preferred provider network pricing had minimal impact since Medicare is the primary insurance. Elimination of retirees from the contracted preferred provider network could save the County \$175,000 annually in monthly subscriber membership fees. Also, our review of prescription drug payments showed a potential savings of 8 to 10 percent with generic equivalents. Considering prescriptions represent \$4.5 million in annual County payments, substantial savings could occur if the County required generic equivalents when available.

Semi-Annual Museum Monitoring Report (3/12/97) - This report represented the final transition monitoring report under the original County Board resolution transferring the Museum to a nonprofit Corporation. The report indicates that comparing fiscal year 1996 admissions with calendar year 1991 figures, the last full year before the County transferred the management and operation of the Museum, paid admissions have decreased 23%.

Sheriff's Obligation to Administer Foreclosure Sales - This is a review of the Sheriff Department's obligation, under s. 814.70, Wisconsin State Statutes, to administer foreclosure sales in Milwaukee County. The report includes a review of program costs in comparison to revenue received. The report also includes a survey of other jurisdictions to evaluate foreclosure sales fee structures.

Fleet Maintenance Division Follow-up Report - As requested by the Committee on Finance and Audit, this memo report was a follow-up regarding the status of recommendations from the original March 1996 report. Considerable effort has been taken by both Fleet Maintenance Division and the Department of Administration to enhance fleet efficiency.

Wauwatosa School District Reimbursement - Reviewed the School District's expenses related to providing teaching services at Milwaukee County Department of Human Services schools for the 1995-96 school year and verified a \$492,025 rental payment due to the County from the District. (Original audit report had noted that the County had not been charging rent even though that State reimbursed rental costs.)

Sheriff's Department Forfeiture Fund - This was a financial statements audit of the Sheriff Department's Forfeiture Fund including the balance sheet and related statements of revenues and expenses, changes in fund balance and statement of cash flows. The audit was requested by the Sheriff to fulfill audit requirements of Federal Forfeiture Fund regulations.

Department of Parks Golf Operations - The focus of this audit was to determine the economic status of golf operations in the County. Since 1985, rounds of golf have decreased 31%. Our review of 1995 golf operations indicates a net loss of \$950,000 using current overhead and indirect cost data. A survey of both customers and other area golf courses indicated respondents were pleased with their golf experiences and that fees for the County courses generally rank in the middle to low range of fees surveyed.

Semi-Annual Museum Monitoring Report (9/2/97) – As directed by the County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit corporation. This report noted that based on attendance figures provided by the Museum for September 1996 through June 1997, paid admissions and total admissions increased 35% and 48%, respectively, over prior year figures.

Zoo Cash/Inventory Controls – This audit looked at the controls in place to safeguard \$10 million in annual Zoo admission and concession revenues. The audit found that although the Zoo has made considerable improvements in cash handling in recent years, more needs to be done.

Clerk of Circuit Court Office – This special review was requested by the Chairman of the County Board in the aftermath of the arrest of the Clerk of Circuit Court (COC). Our limited review, due to the urgency of this matter, provided reasonable assurance that approximately \$200 million in public monies that pass through the COC office were safe and accounted for.

Day Treatment Program – The purpose of this audit was to determine the extent to which the day treatment program has been successful in treating youths referred to the program. The report indicated that the Department of Human Services needs to establish clear, meaningful, consistent and measurable goals and objectives that can function as effective program measures.

Milwaukee Metropolitan Drug Enforcement Group – This was a financial statements audit of the Enforcement Group's Federal Forfeiture Fund administered by the Milwaukee County District Attorney. The report provided a 'clean' opinion of the Fund's financial statements of receipts and disbursements and changes in fund balance.

Controls and Security Over County Treasurer Investments – This audit found that as of September 1997, the County Treasurer was managing over \$170 million in County funds in compliance with County and State investment requirements. At the same time, the report highlighted specific areas where improvements could be made.

1996

Fraud Hotline - 1995 Annual Report - As directed by County Board Resolution, year-end statistics on hotline activity were reported. In 1995, hotline contacts were close to 150, with the majority of the sources coming from citizens. Examples of reviews conducted as a result of hotline tips included: cash handling procedures at the DHS business office due to an apparent cash shortage, procedures used for the disposal of surplus equipment, an allegation that the County is not maximizing revenues from recycled materials, and personal use of County vehicles.

Parks Purchasing Practices - Review of Parks purchasing practices requested by the Director of Parks, Recreation and Culture. The management letter to the Director reported instances of internal control weaknesses in procurement and petty cash procedures, and made suggestions for improved practices in order to enhance Park's internal control system over both purchases and petty cash.

Semi-Annual Museum Monitoring Report (2/28/96) - As directed by County Board, the Departments of Administration and Audit are monitoring and reporting on the progress of the transition of the Museum to a nonprofit Corporation. This report noted that paid admissions to the Museum decreased 4% in 1995. Also noted was the difficulty in obtaining attendance data which was categorized in an inconsistent manner resulting from staff turnover and changing admissions practices. The report also included a status update on the Imax Theater project and the percentage of construction wages paid to women and minorities through December 1995.

Department of Public Works, Fleet Maintenance Division - As a result of a Hotline tip, we audited the Fleet Maintenance Division of Public Works in order to assess the adequacy and timeliness of preventive maintenance performed on County vehicles. Findings presented in the report included a review of time spent on preventive maintenance and vehicle repairs which exceeded industry standards, as well as analysis which identified vehicles with lifetime repair and maintenance costs exceeding their original acquisition cost. An example of a lease/purchase cash flow analysis was also presented showing the benefits the County would realize under both methods.

Department of Human Services, Business Office - A follow-up review of cash handling procedures of the DHS Business Office showed improvements, however, more work needs to be done regarding timely deposits of checks. The review also noted some previous recommendations which had not been addressed by DHS staff.

Residency of Employees on County Construction Projects - In 1995 the County paid \$34.1 million in certified payments for work performed on County construction projects. At the request of County Supervisors, we reviewed payroll information in these certified payments to determine residency of employees working for the contractors. Our review showed that 40% of wages paid on County construction projects went to County residents, while 60% went to non-residents.

Community Relations - Social Development Commission (SDC) - As directed by the State Legislative Audit Committee and the Milwaukee County Board, we conducted a joint audit of SDC which has responsibility over a variety of anti-poverty and social service programs. The audit found a number of weaknesses in SDC's financial management, purchasing and personnel practices. Also, we found the SDC Board had not exercised effective oversight. The audit includes 40 specific recommendations to improve agency management and oversight.

Semi-Annual Museum Monitoring Report (7/3/96) - As directed by the County Board, the Departments of Administration and Audit monitor and report on the progress of the transition of the Museum to a nonprofit Corporation. The report included a status update on the Imax Theater project. Through May 1996, the percentage of project construction wages paid to minorities and women was 16%. This was below the contractual requirement of 25%.

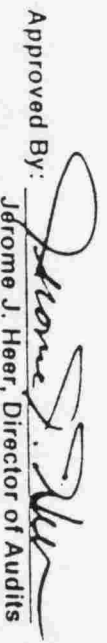
Milwaukee County Transit System - This audit included reviewing the internal controls over revenues collected through the farebox system, petty cash funds, purchasing, procurement functions and inventory, as well as the appropriateness of travel and other miscellaneous expenditures.

Wauwatosa School District Reimbursement - Reviewed the School District's expenses related to providing teaching services at Milwaukee County Department of Human Services schools for the 1994-95 school year and verified a \$487,118 rental payment due to the County from the District.

Unannounced Cash Counts at Various Parks Locations - Conducted several unannounced cash counts at 11 Parks locations. Of the 43 sales points counted, there were 24 overages, 12 shortages and seven items were in balance. During our counts, we observed internal control weaknesses including cash register keys being readily available to employees, failure to ring-up sales, timely deposit of receipts and failure to give cash register receipts.

Sales Tax Collections for Milwaukee County - Reviewed the sales tax collection process to assure Milwaukee County that the process resulted in the receipt of all money due to the County. After testing 3,200 tax filings, we concluded that the controls over sales tax collections and monthly distributions to Milwaukee County provide reasonable assurance that the County receives the proper amounts due.

Department of Human Services Community Support Program Operated by Transitional Living Services, Inc. - This was an audit of the community support program (CSP), a mental health program designed to provide a network of coordinated care and treatment services to chronically mentally ill persons in the community where they live and work. Transitional Living Services (TLS) is one of eight private vendors under contract with the County to provide these services. Our review showed that three of the five stated program goals had not been achieved. Also, TLS could have billed Title 19 for \$54,000 more in reimbursable costs, thus reducing the County's program payments.



**MILWAUKEE COUNTY
Department of Audit**

Audit Mission Statement: Through independent, objective and timely analysis of information, the Milwaukee County Department of Audit assists both policy makers and program managers in providing high-quality services in a manner that is honest, efficient, effective and accountable to the citizens of Milwaukee County.

I. DEPARTMENT FUNCTIONS

Pursuant to Section 59.47 of the Wisconsin Statutes and Chapter 57 of the Milwaukee County Ordinances, the department is responsible for post auditing the fiscal concerns of Milwaukee County, including, but not limited to, the following functions:

1. Examining the records and procedures of County offices and departments to reach a conclusion as to economy and efficiency, program effectiveness, and compliance with regulatory authority.
2. Monitoring the propriety of departmental recordkeeping throughout the County relating to cash receipts and disbursements, cost accounting procedures, assets held in trust, and supplies and equipment inventories.
3. Determining the adequacy of internal control, i.e., the extent to which the duties of certain employees serve as a check upon work done by other employees wherever cash and other assets are involved.
4. Auditing, when warranted, agencies receiving County funds or providing services to the County.
5. Monitoring contracts with vendors of goods and services for compliance with affirmative action requirements as provided in Section 56.17 of the County Ordinances.
6. Contracting for the annual audit of the financial statements of Milwaukee County and the Single Audit of Federal and State grants required by Federal OMB Circular A-133 and State Single Audit Guidelines.

Pursuant to Section 15.15 of the County Ordinances, the department reconciles the County's checking accounts and maintains custody of the cancelled checks.

II. DIVISION FUNCTIONS

A. Administration/Support

1. Directs programs, assigns projects and coordinates department activities. Participates directly in complex audit analyses.
2. Submits completed audits and management letters regarding internal control to the County Board for referral to the Finance and Audit Committee.
3. Provides technical assistance to the Finance and Audit Committee and to other County Board standing committees when necessary.
4. Directs reviews of outside agencies receiving County funds for adequacy of their

performance.

5. Directs such other investigations as may be requested by the County Board, or by other departments of the County.

B. Audit Compliance

Audit Follow-Up and Resolution

1. Monitors implementation of audit recommendations by departments including field checks to verify implementation.
2. Provides continuous monitoring of the annual County-wide audit project by external auditors.
 - (1) Prepares necessary material for requesting proposals to perform audit.
 - (2) Assists in the evaluation of proposals and selection process of the successful bidder.
3. Supervises Contract Compliance and Bank Reconciliation sections.
4. Prepares Department annual budget submission to Department of Administration, County Executive and County Board.
5. Supervises internal quality control review process regarding audit projects and reports.

Contract Compliance

1. Monitors vendors and contractors for compliance with relevant guidelines under the affirmative action and equal employment opportunity programs.
2. Provides affirmative action and equal employment opportunity support (regulation references, interpretations, legal case precedence, past practices, etc.) to County Board, Corporation Counsel, vendors and contractors.

Bank Reconciliation

1. Prepares monthly reconciliations of County bank accounts and maintains custody of paid checks for the seven most current years.
2. Provides paraprofessional support of audit efforts including data entry, file review and miscellaneous assignments contributing to audit preparation.

C. Comprehensive Auditing

1. Assists the Director and Deputy Director in administrative duties of the department.
3. Directly supervises audit teams in conducting audits and internal control reviews of County departments and grantees.

- (1) Audits departments of the County pursuant to Chapter 57 of the County Ordinances, from the point of view of program results, economy and efficiency, financial and compliance with regulatory authority and internal control.
- (2) Audits outside agencies funded by the County when warranted.
- (3) Performs such other reviews as may be requested by the County Board, or by other County departments.
- (4) Audits data processing systems and programs for adequacy of internal controls, underlying documentation, and for physical security.
- (5) Provides assistance to departments on an as needed basis.

D. Fraud Auditing

1. Maintains Hotline to facilitate contacts from persons with concerns about County operations.
 - (1) Receives information from citizens and employees regarding waste, fraud and abuse of Milwaukee County resources.
 - (2) Investigates complaints and refers matters as appropriate.
 - (3) Prepares annual reports on the outcome of Hotline contacts.
 - (4) Provides assistance to departments including law enforcement agencies on an as needed basis.

E. Information Technology Support

1. Provides audit staff with computerized analyses, tabulations and technical assistance, as required.
2. Maintains the Department's computer network system.

MILWAUKEE COUNTY GOVERNMENT

H O T L I N E

**Ph: (414) 93-FRAUD – Fax: (414) 223-1895
(933-7283)**

Write: Department of Audit Hotline- 2711 W. Wells St., 9th Floor, Milwaukee, WI 53208
Website: www.execpc.com/~milcoaud

A service of the Milwaukee County Department of Audit

For Reporting:

- **Concerns over inefficient Milwaukee County government operations**
- **Incidents of fraud or waste in County government**
- **Ideas for improving efficiency and/or effectiveness of services**

Other Milwaukee County Numbers

Aging - Elder Abuse Helpline 289-6874

**Child Support - TIPS Hotline
(Turn in Parents for Support) 278-5222**

**District Attorney -
Consumer Fraud Unit 278-4585
White Collar Crime Unit 278-4645**

**Mental Health -
Crisis Hotline 257-7222
Crisis Hotline (TTY/TDD) 257-6300**

**Human Services -
Welfare Fraud-Grant Abuse 289-5799
Child Abuse or Neglect Referrals 220-7233**

**Sheriff's Department -
Community Against Pushers 273-2020
(Anonymous Drug Reporting)
Guns Hotline 278-4867**

CALLERS NOT REQUIRED TO IDENTIFY THEMSELVES